



Insurance Institute  
of Michigan

# Fact Sheet

## Credit-Based Insurance Scoring

### Overview

More than two-thirds of Michigan policyholders receive lower insurance rates because of the use of credit-based insurance scores.

### Facts to Know

- The use of credit scoring was authorized by the Michigan Legislature in 1996 (Public Act 514).
- Insurance carriers use credit-based insurance scoring to more accurately price their products. Independent studies have proven a strong connection between credit history and the likelihood of an individual filing a claim. People who use credit wisely are generally responsible in other areas of their lives. Research has found that people with better insurance credit scores have fewer losses and less expensive claims.
- Credit-based insurance scoring allows people who are less likely to file a claim to pay lower premiums and those individuals with high risk of filing a claim to pay more.
- Twenty-six states have adopted the National Council of Insurance Legislators' (NCOIL) model credit-scoring bill.
- Studies finding that credit-based insurance scores are not discriminatory: St Ambrose University (2009); United States Federal Trade Commission (2007), Texas (2005); EPIC Actuaries (2003); and Virginia Bureau of Insurance (1999).
- Education level has no impact on a person's credit-based insurance score.
- The Consumer Data Industry Association reports that less than 1 percent of all credit report challenges result in a change once the inquiry has been fully investigated. Studies have found that credit reports are more reliable than motor vehicle records.